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VOLUME I

SUMMARY OF CONCLUSIONS

LAND UTILIZATION AND MARKETABILITY STUDY

YERBA BUENA CENTER REDEVELOPMENT PROJECT

SAN FRANCISCO, CALIFORNIA

PREPARED FOR:

**REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
CALIFORNIA**

APRIL 1965

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REAL ESTATE RESEARCH CORPORATION



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REAL ESTATE RESEARCH CORPORATION

CHICAGO • SAN FRANCISCO • WASHINGTON, D.C. • MINNEAPOLIS • ST. PAUL • OMAHA • DALLAS • ST. LOUIS • NEW YORK

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MARKET ANALYSTS

PLANNING ECONOMISTS

LOCATION AND INVESTMENT SPECIALISTS

PUBLISHERS OF THE NATIONAL MARKET LETTER

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PAUL FULLERTON, M.A.I.
VICE PRESIDENT

April 7, 1965

Henry F. Davis, General Counsel
Redevelopment Agency of the City and County of San Francisco
525 Golden Gate Avenue
San Francisco, California 94102

Dear Sir:

The land utilization and marketability study of the Yerba Buena Center Redevelopment Project in San Francisco, California, is herewith submitted to you in two volumes. Volume I summarizes conclusions and recommendations while Volume II contains detailed data, analysis and addenda material.

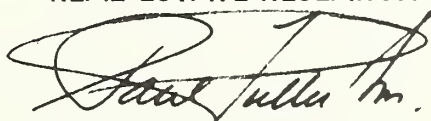
The assignment was conducted and is presented in accord with the provisions of H.H.F.A., letter 324, and the specific agreements between the local public agency and Real Estate Research Corporation.

As a result of our acquaintance with the vicinity of the Yerba Buena Center Redevelopment Project we believe that redevelopment is an absolute necessity to the upgrading of the area, and the best hope for the stimulation of private action nearby. The association of uses envisioned in the plan are appropriate to the achievement of both of these objectives.

We appreciate the assistance and cooperation we received from you and members of your staff, from Economics Research Associates and members of the Real Estate Advisory Group.

Very truly yours,

REAL ESTATE RESEARCH CORPORATION



Paul Fullerton

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CONCLUSIONS

Our principal conclusions, based on data and analysis contained in Volume II and bearing this date, are as follows:

1. Developing factors which will have positive influence on the marketing and demand for land in the Yerba Buena Center Redevelopment Project are several. They are, to a considerable extent, acts which the Redevelopment Agency itself will perform, or cause to be performed in ultimate acquisition, preparation for re-use, and disposition of the property. Indeed, a beginning has already been made by the creation of alternate plans for the development of the area. In this regard, the local public agency influences the marketability of land in several important ways: 1) it will assemble the land; 2) it will cause clearance of a majority of the incompatible and deleterious uses from the project area (particularly of poor quality transient residential and other typical skid row uses); 3) it will dispose of the land to those persons most likely to create an atmosphere of renaissance and; 4) it will cause the expenditure of funds for new public improvements including streets, sidewalks, parks, parking and utilities which are companion elements of an area renewal.

There are other factors which will tend to affect the marketing of sites in the project area which are outside factors insofar as the area itself is concerned. One of the most important of these to the Yerba Buena Center is the Bay Area Rapid Transit system, which will be routed along Market Street. Assuming satisfactory placement of subway exits the entire project area will be within walking distance of this facility. The impact of this system on an area in the process of being rapidly redeveloped will be greater than on established urban districts.

Other outside factors are already in play, and will be more intense elements affecting the marketing of project lands in the 1970's. They are: 1) the comparative high cost of obtaining suitable sites for commercial and light industrial use in San Francisco's central commercial district, and 2) the reverberative effect of the Yerba Buena Center development on the balance of the South of Market area resulting in the upgrading of the general environment.

2. As a result of our research it is concluded that the Yerba Buena Center Redevelopment Project is suitable for a variety of land use types based on both physical and locational criteria. In fact, the several use types to which we were directed by the alternate plans are all thought to be compatible for incorporation in the project area. These uses include:



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Office Uses: In this case as many as six sites are considered suitable for construction of office buildings over a five-year marketing period. These sites are located along Market, Third and Mission Streets and are considered suitable for higher density type structures. Other sites situated further south are suitable for lower density single occupant type space which might also be considered for office use, but which is categorized under services because of less demanding locational requirements.

Retail and Commercial Uses Requiring Ground Floor Space: Sites located on Market, Mission, Third and Fourth Streets (from Mission north) are considered as being most suitable for ground floor retail, other commercial and noncommercial service activities to whom pedestrian traffic is important. Except for Market Street the retail uses will primarily serve the working population of the area. In the case of other commercial uses in these locations, the area of service will principally include the nearby financial district.

Low Density Office, Commercial, Business Service and Light Industrial Uses: This group includes wholesalers and business services who do not depend on pedestrian traffic. A key factor in the locational preferences of this group is on-site parking and immediate access to freeways. Sites in the project area most suitable for these uses are along Howard, Folsom and Harrison Streets and along Third and Fourth Streets. Location factors of light industrial uses are similar to those of the wholesalers and non-pedestrian oriented commercial uses. Therefore, a very large portion of the area is suitable for this development.

Hotel-Motel Use: Suitable sites for the development of transient facilities are present within the Yerba Buena Center Redevelopment Project. They are, for motel use, situated on Mission and Fourth Streets in the vicinity of that intersection. The only sites in the project area which might be considered suitable for a large hotel type facility are those located along Market Street. Since those sites are believed more suitable for office building development, major hotel uses were eliminated from further consideration at this time. Suitable sites for motel use are considered from the standpoint of the demand for modern facilities offering optimum convenience to motorists and first-rate service in all other respects.

Parking Use: The Yerba Buena Center Redevelopment Project is now and will continue to be an important location for commercial parking facilities. On-site parking is a must in the case of lower density light industrial and commercial uses. Center block parking can serve to accommodate overflow parking needs. On-site parking in a ratio of one space for each room is considered a requirement for motel use. Retail and high density office users will rely on the principal parking facilities in the area.

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Special Uses: The sports arena-convention center projected in the plan is considered a suitable use for the Yerba Buena Center Redevelopment Project. (Feasibility in this instance has been studied separately by Economic Research Associates). The location offers the optimum in availability of transportation as well as proximity to convention hotels. The two proposed theatres are also appropriate for the Yerba Buena Center Redevelopment Project under the assumptions made by Economic Research Associates in their report: 1) that the Geary and Curran Theatres were closed and 2) that no other competing facilities are built.

3. The market for project land as revealed by our study for the suitable uses as planned is summarized in the accompanying table. Allocation of the market demand as among the various districts was based on the standards for development incorporated in the plan. We were informed by the Redevelopment Agency that reasonable interpretation of the standards would place advertising distribution, duplicating and addressing services, and copying and photo developing services in District 3. Business services incorporated in District 4 include data processing and manufacturing agents' showrooms.

INDICATED DEMAND AND DISPOSITION AREAS
AVAILABLE BY LAND USE DISTRICT, AND USE

<u>Land Use District</u>	<u>Typical Uses</u>	<u>Indicated Demand (capture by project in sq.ft. of gross building area)</u>	<u>Land Area Recommended (in sq.ft.)</u>	<u>Land Area Available in the Land Use Plans (in sq.ft.)</u>	
				<u>Plan A</u>	<u>Plan B</u>
District 1 (office and retail) and District 3 (transitional commercial)	High rise office Business services, including medium and low rise office Retail commercial Hotel - motel	625,000* 877,500 70,000 100 rooms	100,000 401,000 70,000 80,000	433,700	631,239
District 2 (special use, excluding air rights)	Cultural facilities and public parking garages	-	-	870,276	421,326
District 4 (business service and light industry)	Business service and industrial users requiring light industrial buildings	1,837,500	980,000	345,685	510,736
District 5 (housing for single men)	Socially oriented public housing for the elderly	na	na	64,465	-
District 6 (institution)	Existing churches, social welfare agencies, etc.	na	na	na	na
District 7 (parking)	Open and enclosed parking	380 spaces	185,000	196,385	267,297

* Our market estimate was for 500,000 square feet of net rentable area. Assuming an 80 percent efficiency, gross area would approximate 625,000 square feet.

Source: Redevelopment Agency of the City and County of San Francisco; Real Estate Research Corporation.

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4. The assumed marketing period for each use was five years which, in accord with your instructions, will begin in 1970. It is seen that land for certain uses is in demand to a greater extent than that allocated under one or both of the alternate plans. In these instances, an absorption period of less than five years will be possible. Lower density commercial and industrial uses are assumed to have on-site parking. Center block parking in these areas is desirable for overflow and for the more densely developed parcels.

All estimates of demand and rates of absorption are made under the assumption of a normally aggressive and effective marketing program and of the project retaining its present boundaries and general configuration of areas for disposition. The estimates also assume that the Golden Gateway Project's marketing program will have been completed and that the subject sites are offered at fair market reuse values.

5. The local public agency has identified cultural and sports facilities as being desirable for inclusion in the Yerba Buena Center Redevelopment Project. Economic Research Associates, in their feasibility report, estimates a substantial operating loss in the sports facility but also states that such facilities more often show losses than profits; that a better measure of success is their total impact upon the community.

Our principal concern here is the impact of a sports and convention facility upon the balance of the Yerba Buena Center Redevelopment Project Area and its environs. We conclude that the most important factors are the specific placement, design and use of the facility. The handling of the street level facades of this building (and of the theater plaza complex) is of special significance relative to facing ground floor development. Generally speaking, where light industrial and transitional commercial uses are concerned, they will be unaffected by the sports and convention facility. Insofar as higher value office and retail sites are concerned, no measurable impact is anticipated. Only a modern motel will find directly applicable benefits from this attraction of transients into the area, although estimates show this source of trade to be of small proportions.

The proposed cultural facilities will enhance the aesthetic character of the vicinity. Principal direct impact of the two theatres and museum will be felt by retail service facilities, particularly eating and drinking places. In the case of the sports facility, some demand will be generated for a modern motel in the vicinity. The proposed plaza, ice rink, and the park-like atmosphere will provide a pleasant promenade for persons working nearby. The positive effect of the parking structure has been cited.

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6. In accord with our contract and our client's request, it is required that we comment upon the need for any further studies of the feasibility of achieving the objectives of urban renewal by conservation and reconditioning efforts in the project area. We believe that not less than the amount of clearance contemplated is necessary in view of the nature of the structures under consideration and the concept of the redevelopment plan. We presume that remaining structures will be carefully scrutinized for necessary rehabilitation. Therefore, no further studies of these types are recommended at this time.
7. Obstacles to the marketing of land in the Yerba Buena Center Redevelopment Project after clearance vary according to use. For many years the financial district of San Francisco has gained strength as a closely contained center of financial-administrative activity. The area is still on the ascendancy, to some extent as a result of the local public agency's efforts in the Golden Gateway area. While we have assumed that marketing of the Golden Gateway area will precede disposition of sites in the Yerba Buena Center Redevelopment Project, this by no means disposes of all competition for the location of office buildings. In fact, our survey shows that there are 30 additional sites of 10,000 square feet or more within and on the fringes of the financial district which could be competitive with the project area for high-rise office structures. At least for the period 1970-1975, therefore, we believe that the strength of attraction of the financial district and the degree of availability of alternative sites will reduce the market potential available to the project to a not inconsiderable 20 to 25 percent of total new office construction in the central commercial district.

Obstacles to the marketing of project sites for other recommended commercial and industrial uses are not as great. Perhaps the only obstacle which can be identified is the reputation of the South of Market district. A period of time may be required to overcome the association of the project area with other nearby unreconstructed neighborhoods. As previously stated, the project will have a reverberative effect on its environs. The rapidity with which this effect will cause secondary and tertiary private redevelopment will depend on economic conditions, the plan, the speed with which the plan is implemented and the quality of the land sales program.

8. The re-use appraisal can be undertaken as soon as a parcelization plan is adopted, and an outline of the more detailed functioning of the special use complexes is provided to us. We anticipate that the re-use appraisal will require a rather broad search for land value indications by use based on studies of specific recent developments comparable to those proposed for the Yerba Buena Center Redevelopment Project.

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This marketability study involves a number of specific original research projects including but not restricted to the following:

- a. Consultation with the Advisory Committee of Practicing Realtors on suitability of sites for various uses, general value implications and the current market situation. Our conclusions were influenced by the advice of this group. Volume II, our full report, contains a resume concerning this group.
- b. Survey conducted of parking requirements of over 700 Pacific Bell Telephone Company employees to determine parking habits and other characteristics of employees.
- c. Parcel-by-parcel survey of the financial district and its fringes for competitive sites analysis.
- d. Updating survey of 212 office buildings in San Francisco's central commercial district.
- e. Inspection of the neighborhood and its environment and of uses designated for retention.
- f. Calculation of firms moving in and out of a very large area south of Market Street for 1958-1963 to identify dynamics and trends of the general area.
- g. Personal interviews with some 25 entrepreneurs for location factors of their enterprises, specifically regarding the subject project.
- h. Inspection and collection of pertinent data in competitive areas.

9. The most practical disposal units recommended are:

<u>District and General Use</u>	<u>Most Practical Size in Sq.Ft.</u>	<u>Range in Sq.Ft.</u>
District 1 - Office and Retail	10,000	10,000-20,000
District 3 - Transitional Commercial	10,000	5,000-20,000
District 4 - Other Commercial and Light Industrial	10,000	5,000-20,000

We believe that certain parcels, due to location of retention parcels, will have limited flexibility, while others might be held for planned unit development, retaining optimum flexibility. Sites located along Market Street should be offered with a minimum of 100 feet of frontage, if possible. If disposition of air rights is contemplated, the parcel plan should provide specific development parcels using the criteria set forth above.

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10. In the disposition of the re-use parcels, two major factors must be considered: 1) the sale of the property at the highest possible price in order to minimize the cost of the project; and 2) the quality of the physical improvements and the total environment that will be created by completion of the project.

The likelihood of obtaining excellent construction is directly related to the amount of interest generated in the Project. For this reason, an attractive brochure should be widely distributed, presenting the factual background and illustrating the proposed development program.

The possible methods of disposition should include: 1) pre-determined price offering; 2) negotiated disposal under open competitive conditions; 3) sealed bid offering; and 4) public auction. There are also several variations in combination of these four methods.

Each method has certain advantages and disadvantages, and there are certain of the programs which are more useful in some situations than in others. For these reasons, it is not possible to state categorically that one method is superior to the others. What is important is to study the implications of each method and to anticipate as closely as possible its consequences in the given situation.

In this case, we believe that the redevelopment agency should, in the higher value use districts, utilize both the predetermined price and negotiated methods. Predetermined price has the advantage of enabling attention to be focused on other aspects of development, i.e., architectural and site design, period of development, financial status of the developer, etc. The predetermined price method is also very useful in the disposition of parcels for institutional or public purposes.

The negotiated method is desired where it becomes possible to include a development of particular advantage to the community or to the project, such as a substantial prestige organization or group of organizations. Certainly the original marketing program would be benefited by who and what go into the area at the outset.

We feel that the Redevelopment Agency of San Francisco is uniquely qualified to carry on this sort of program since it has strong staff at all levels and one with considerable experience in these matters.

We believe that sealed bid and public auction methods are more applicable to residential and industrial areas. They might prove useful tools at some point in light industrial disposition.

